EXHIBIT B

Form 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

xANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 29, 2000

OR

...TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-9037

The IT Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	33-0001212
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2790 Mosside Boulevard, Monroeville, Pennsylvania 15146-2792

(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (412) 372-7701

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	New York Stock Exchange; Pacific Exchange
Preferred Stock Depositary Shares	New York Stock Exchange; Pacific Exchange
8% Convertible Subordinated Debentures due 2006	NASDAQ

Securities registered pursuant to Section 12(g) of the Act:

11 1 /4% Senior Subordinated Notes due 2009

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ...

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

The aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant at March 9, 2001, was approximately $92,147,058 (based upon the closing sale price of its common stock on the New York Stock Exchange as reported by The Wall Street Journal on such date.)

At March 9, 2001 the registrant had issued and outstanding an aggregate of 22,918,154 shares of its common stock, including 937,993 shares held in treasury.

Documents Incorporated by Reference

Certain information included in the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission for the Annual Meeting of Stockholders of the registrant to be held on May 23, 2001 is incorporated by reference into Part III hereof.

THE IT GROUP, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE TWELVE MONTHS ENDED DECEMBER 29, 2000

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PART I

ITEM 1. BUSINESS.

Overview

The IT Group, Inc. (we or IT or the Company) is a leading provider of diversified, value-added services in the areas of consulting, engineering and construction, remediation, and facilities management. Through our diverse group of highly specialized companies, with over 7,500 employees in over 80 domestic offices and over 10 international offices, clients can take advantage of a single, fully integrated delivery system and our extensive expertise to meet their global environmental needs. Our broad range of services includes the identification of contaminants in soil, air and water and the subsequent design and execution of remedial solutions. We also provide project and facilities management capabilities and other related services to non-environmental civil construction, watershed restoration and the outsourcing privatization markets. We have, and plan to continue to, diversify by pursuing infrastructure and other non-environmental services industries complementary to our core business and client base. We do not own active hazardous waste disposal facilities.

We provide services through seven principal business lines: Government Services, Commercial Engineering and Construction, Solid Waste, Transportation and Telecommunication, Real Estate Restoration, Consulting and Technology, and International. These business lines comprise four reportable segments for financial reporting: Government Services, Commercial Engineering & Construction (Commercial E&C), Consulting & Technology, and International.

Government Services Segment

Government Services: Our Government Services business line provides engineering and construction services for U. S. government agencies such as the Department of Defense (DOD), Department of Energy (DOE), Environmental Protection Agency (EPA), and National Aeronautics and Space Administration (NASA). Services are provided in three market areas: (1) Hazardous, Toxic, and Radiological Waste (HTRW), (2) Outsourced Services, and (3) Civil Works. HTRW focuses on the cleanup of our nation's legacy sites, deploying the latest environmental cleanup technologies to restore them to productive use. Outsourced Services manages large, mission-essential military and aerospace facilities, such as the Kennedy Space Center and offers design, build and renovation services for military housing and other infrastructure. Our subsidiary BENECO specializes in refurbishing, expanding, upgrading and managing facilities through design/build contracting, operations and construction management. Our Civil Works business executes major infrastructure projects focused largely on the restoration of our nation's watersheds, such as the Florida Everglades.

Commercial E&C Segment

Commercial Engineering and Construction: Our Commercial Engineering and Construction business line provides turnkey engineering and construction services to private-sector clients, and state and local government agencies. Using a vertically integrated service approach, we perform site assessments, remedial designs, construction remediation, operation and maintenance and site closures. We also provide services to the non-environmental civil works market, particularly in the areas of ports, airports, fiber optic cable system construction and watershed restoration, with a specific focus on the Florida Everglades and California Bay Delta restoration programs.

Solid Waste: Our Solid Waste business line provides turnkey services including engineering, permitting, design/build construction, equipment fabrication, landfill products, sampling, monitoring, and facility and system operation and maintenance. We offer complete life cycle management of solid waste, employing capabilities that range from site investigation through landfill design and construction to post-closure operations and maintenance or redevelopment.

Transportation and Telecommunication: Our W&H Pacific subsidiary is a leading consulting engineering and design firm serving the infrastructure development needs of the transportation, land development, energy and telecommunications industries, primarily in the northwestern U.S. We provide services in land-use planning, permitting, design, architecture, landscape architecture, and the use of the state-of-the-art airborne Global Positioning System, as well as traditional survey capabilities and structural, civil, environmental and electrical engineering.

Real Estate Restoration: Our Real Estate Restoration business line provides integrated solutions for environmentally impaired property assets using our real estate, environmental, legal, financial and insurance expertise. We acquire and redevelop environmentally impaired properties to achieve their highest values, while mitigating risks through innovative risk management programs. By balancing all interests in real estate transactions, we produce solutions and create value for sellers, investors, developers and end users. We also develop, own and operate wetland mitigation banks, providing our clients with off-site mitigation for their development and infrastructure projects.

Consulting and Technology Segment

Ytransportation delays and interruptions,

Ypolitical instability,

Yexpropriation and nationalization,

Ytariffs and import and export controls,

Ydiffering licensing and permit requirements, and

Ycompliance with applicable laws.

We cannot predict what effect, if any, these risks would have on our business.

Fluctuations in our Quarterly Operating Results

Our quarterly revenues, expenses and operating results and working capital requirements may fluctuate significantly due to a number of factors, including:

Ythe seasonality of the spending cycle of our public sector clients, notably the federal government;

Yemployee utilization and hiring rates;

Ythe number and significance of client projects commenced and completed during a quarter;

Ydelays incurred in connection with projects;

Ythe ability of our clients to terminate projects without penalties; and

Yweather conditions.

Variations in any of these factors could cause significant fluctuations in our operating results from quarter to quarter and could result in net losses.

Control of Board of Directors

In November 1996, The Carlyle Group (Carlyle) and some of its affiliates acquired 45,000 shares of our 6% cumulative convertible participating preferred stock (convertible preferred stock) and warrants to purchase 1,250,000 shares of our common stock. Additionally, in 2000 Carlyle purchased 1,237,367 common shares on the open market as part of the Company's stock repurchase program. As a result, including paid-in-kind dividends paid through December 25, 1998 on the convertible preferred stock, Carlyle now holds 46,095 shares of convertible preferred stock and 1,237,367 shares of common stock, which totals approximately 25%, or approximately 28% assuming the warrants are exercised, of the voting power of the Company. The terms of our convertible preferred stock provide that until November 20, 2001, Carlyle has the right to elect a majority of the Board of Directors, as long as they continue to hold at least 20% of the voting power of the Company. The convertible preferred stock and warrants may at any time, at the option of Carlyle, be converted into shares of our common stock. The conversion price of the convertible preferred stock is $7.59 per share, and the exercise price of the warrants is $11.39 per share. The warrants expire on November 20, 2001. Beginning on November 21, 2003, we will be entitled at our option to redeem all of the convertible preferred stock at its aggregate liquidation preference of approximately $46 million, plus accumulated and unpaid dividends. Additionally, beginning on November 21, 2004, the conversion price of the convertible preferred stock decreases to one half of the conversion price, as adjusted, or $3.795 per common share.

The Carlyle investment agreements should allow, however, for the substantial continuation of the current Board of Directors. After November 20, 2001, provided that Carlyle continues to own at least 20% of the voting power of the Company, the Carlyle holders of our convertible preferred stock will be entitled to elect the largest number of directors which is a minority of directors, and to vote with the common shareholders (as a single class) on the election of our remaining directors. The sale by Carlyle of its interests under specific conditions constitute events of default under our credit facilities. For example, a sale by Carlyle when the ratio of senior leverage to EBITDA (as defined) is above 2.75:1 for any of the four consecutive prior fiscal quarters would constitute an event of default. Changes of control include changes in our Board of Directors that result in the current directors and their nominees no longer constituting a majority of the Board. For more information on our relationship with Carlyle, see Notes to Consolidated Financial Statements--Note 9. "Preferred Stock--Carlyle Investment".

History of Losses

Including our results for the twelve months ended December 29, 2000, we have recognized recurring losses to our common stockholders. The following table shows the losses we have incurred over our last five fiscal years. We cannot assure you that we will not incur losses in the future. For a more detailed discussion of our operating results and special charges, see "Management's Discussion and Analysis of Results of Operations and Financial Condition".

	Twelve Months Ended		Nine Months Ended	Twelve Months Ended	
	December 29. 2000	December 31. 1999	December 25. 1998	March 27. 1998	March 28. 1997
			(In thousands)		
Net income (loss) applicable to common stock	$(4,344)	$32.318	$(12.091)	$(23.193)	$(13,693)
Net income (loss) applicable to common stock. excluding special charges	$20.701	$32.318	$ 11.200	$ 2.800	$ (5.300)

Ability to Utilize Net Deferred Tax Assets

At December 29, 2000, we had gross deferred tax assets of $247 million and gross deferred tax liabilities of $57 million. Our ability to utilize our net deferred tax asset is dependent upon sufficient taxable income of applicable character within the various federal and state carryforward periods. We believe our total net deferred tax asset of $139 million, net of a $51 million valuation allowance, will be fully utilized at this time, however, to the extent our earnings are adversely impacted by the various risk factors noted herein, our ability to fully utilize our net deferred tax asset may be jeopardized. For further information on the composition of our deferred tax asset, see Notes to Consolidated Financial Statements--Note 6. "Income Taxes".

DISCONTINUED OPERATIONS

In December 1987, we adopted a strategic restructuring program which included a formal plan to divest the transportation, treatment and disposal operations through sale of some facilities and closure of others. Subsequent to this date, we ceased obtaining new business for these operations. We have funded previously accrued costs of $11 million for the twelve months ended December 29, 2000, $9 million for the twelve months ended December 31, 1999 and $11 million for the nine months ended December 25, 1998 relating to our closure plans and construction and PRP matters. At December 29, 2000, our consolidated balance sheet included accrued liabilities of $3 million for closure costs, insurance program costs and the PRP matters net of anticipated insurance settlement proceeds. See our Notes to Consolidated Financial Statements--Note 14. "Discontinued Operations" for more information on the financial implications of our discontinued operations.

ITEM 2. PROPERTIES.

We own or lease property domestically at 154 sites in 38 states and the District of Columbia, and internationally at 18 principal sites located primarily in Canada and Australia. Excluding discontinued operations, we own

approximately 73 acres and lease approximately 2.1 million square feet of property for various uses, including

Yregional and project offices,

Ytechnology and process development laboratories,

Yfield remediation support service facilities, and

Ycorporate offices.

We consider these facilities adequate for our present and anticipated activities.

Additionally, we own approximately 2,800 acres related to discontinued operations, principally in Northern California, of which approximately 900 acres were used for hazardous waste disposal facilities and approximately 1,900 are adjacent to those facilities, but were never used for waste disposal. Two parcels comprising approximately 120 acres are under contingent sales contracts at a value of $13 million, and, assuming the buyers' due diligence is satisfactory, real estate transfer is expected to be completed in 2001.

ITEM 3. LEGAL PROCEEDINGS.

Continuing Operations Legal Proceedings

We are subject from time to time to a number of different types of claims arising in the ordinary course of our business, including contractual disputes with clients, subcontractors and suppliers, claims for professional negligence, environmental claims, governmental audits and investigations and claims for personal injuries and property damage. We do not believe that any of these claims will have a material adverse effect on our business. See Notes to Consolidated Financial Statements--Note 8. "Commitments and Contingencies--Contingencies" for information regarding the legal proceedings related to our continuing operations.

Discontinued Operations Legal Proceedings

We have been, are and may in the future be subject from time to time to a number of different types of claims arising out of our discontinued operations including environmental claims for recovery of all or a portion of the cleanup costs at sites we previously owned or operated or to which we took our or a client's wastes, including claims for personal injuries and property damage. We do not believe any of these claims will have a material adverse effect on our business. See Notes to Consolidated Financial Statements--Note 14. "Discontinued Operations" for information regarding the legal proceedings related to our transportation, treatment and disposal discontinued operations.